

Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 AGRE-00
CEA-01 COME-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15 ITC-01
TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 AF-10 ARA-10
EA-10 EUR-12 NEA-11 OIC-02 /153 W
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FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 0697
INFO AMEMBASSY BRASILIA

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USMTN
ACTION STR PASS ELECTRICALLY FOR HUGHES, ROSENBAUM
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E.O.11652:N/A
TAGS: MTN, ETRD, BR
SUBJECT: US/BRAZIL BILATERAL ON BRAZILIAN TARIFF OFFER
AND US NTM REQUESTS

REF: GENEVA 8687

1. SUMMARY. ON JUNE 7, USMTN DELEGATION BRAZIL TEAM
(HARTZELL, GRAEF ET AL) MET WITH DELEGATION FROM BRASILIA
LED BY BOTAFOGO FOR PRELIMINARY PRESENTATION OF BRAZILIAN
MTN TARIFF OFFER, WHICH WAS FIRST REVEALED TO US DEL AT
MEETING, AND DISCUSSION OF US NTM REQUESTS. BRAZIL'S
INITIAL TARIFF OFFER, WHICH IS ESPECIALLY DISAPPOINTING
IN AGRICULTURE (SEE REFTTEL), COVERS 77 INDUSTRIAL ITEMS
(48 FROM US REQUEST LIST) AND SEVEN AGRICULTURAL ITEMS
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(TWO FROM US REQUESTS). BRAZILIAN DEL CHARACTERIZED ITS
OFFER AS MINIMUM PRICE TAG FOR ACHIEVING THEIR MTN
OBJECTIVES IN CODES AND FRAMEWORK. ON POSITIVE SIDE,
BRAZIL IS WILLING TO BIND TARIFF CONCESSIONS AND INDICATED
POSSIBILITY EXISTED FOR IMPROVEMENT OF ITS TARIFF OFFER.
LENGTHY DISCUSSION OF NTM'S REVEALED BRAZILIAN STATEMENT
OF NONNEGOTIABILITY OF PORT TAX, LAW OF SIMILARS, LOCAL

CONTENT REQUIREMENTS, AND USED MACHINERY RESTRICTIONS.
ACTION REQUESTED IDENTIFIED IN PARA 11 BELOW IN TIME FOR
NEXT MEETING SCHEDULED JUNE 15 AND 16. END SUMMARY.

2. IN OPENING REMARKS, BRAZILIAN DEL INDICATED THAT THEIR
OFFER WAS PRELIMINARY AND CONDITIONED TO US AND OTHER
MAJOR TRADING PARTNERS' RESPONSES TO BRAZILIAN PRODUCT
SPECIFIC REQUESTS. BRAZILIAN DEL EMPHASIZED INTERRELATION-
SHIP OF TARIFFS AND NORMATIVE AREAS OF MTN, STATING THAT
GOB VIEWED TARIFFS EXERCISE AS ADMISSION PRICE FOR WHAT
IT HOPED TO GAIN IN OTHER MTN AREAS. EXPANSION OF
BINDINGS WAS MAJOR ASPECT OF OFFER (OF 84 ITEMS OFFERED,
ONLY THREE ARE CURRENTLY BOUND). OF THE 77 INDUSTRIAL
ITEMS, BINDINGS AT CURRENT RATES ARE OFFERED FOR 31
ITEMS, AT INCREASED RATES ("CEILING BINDINGS") FOR 26
ITEMS AND AT REDUCED RATES FOR 20 ITEMS. OF THOSE ITEMS
OFFERED IN RESPONSE TO US REQUESTS, 18 ARE OFFERS TO
BIND AT CURRENT RATES, 13 ARE FOR CEILING BINDINGS, AND
13 ARE FOR BINDINGS AT REDUCED RATES. THE BRAZILIAN DEL
INDICATED THAT TRADE COVERAGE FOR THEIR INDUSTRIAL AND
AGRICULTURAL OFFERS WAS \$180.1 MILLION, BASED ON AVERAGE
MFN IMPORTS DURING 1977-77. (ACCORDING TO THEIR
ESTIMATES, THIS FIGURE IS THREE TIMES THE TRADE COVERAGE
OF BRAZIL'S KENNEDY ROUND CONCESSIONS.) BASED ON 1975
DATA, US DEL HAS ESTIMATED THAT BRAZILIAN INDUSTRIAL
TARIFF OFFER AFFECTS \$80.2 MILLION OF US REQUEST ITEMS
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(BRAZILIAN DEL HAS PROMISED TO SUPPLY US WITH 1976 AND
1977 TRADE DATA FOR ALL BRAZILIAN OFFER ITEMS). BRAZILIAN
DEL NOTED THAT TARIFF REDUCTIONS WOULD BE STAGED IN FIVE
EQUAL AMOUNTS OVER TEN-YEAR PERIOD BEGINNING IN 1982.

3. BRAZILIAN DEL REITERATED THEME PRESENTED IN BRASILIA
THAT WHILE BRAZIL GIVES APPEARANCE OF BEING A HIGH TARIFF
COUNTRY, IN PRACTICE A SIGNIFICANT VOLUME OF IMPORTS ENTER
DUTY-FREE. A COMMITTEE WITHIN THE MINISTRY OF TRADE AND
INDUSTRY REVIEWS REQUESTS BY IMPORTERS FOR DUTY EXEMP-
TIONS FOR IMPORTS TO BE USED IN CONNECTION WITH GOB
SPONSORED/ENDORSED PROJECTS. IN 1977, 45.5 PERCENT OF
TOTAL DUTIABLE BRAZILIAN IMPORTS (EXCLUSIVE OF PETROLEUM
AND WHEAT) WERE ACCORDED SUCH EXEMPTIONS. IN ANOTHER
ASIDE ON BRAZILIAN TARIFF STRUCTURE, BRAZILIAN DEL
RECALLED THAT THE CUSTOMS POLICY COUNCIL.CAN, UPON
REQUEST OF NATIONAL PRODUCERS WHICH EXHIBIT THE CAPACITY
TO INCREASE OR MAINTAIN PRODUCTION AND THE NEED FOR
INCREASED TARIFF PROTECTION, INCREASE ANY UNBOUND DUTY UP
TO 30 PERCENTAGE POINTS VIA AN ADMINISTRATIVE ACT (CPA).
BRAZILIAN DEL FURTHER INDICATED THAT 18 OF THE 26 CEILING
BINDINGS OFFERED INVOLVE INCREASES OF LESS THAN 30

PERCENTAGE POINTS, THUS LIMITING CPA FLEXIBILITY. DEL
FURTHER NOTED THAT FOR NBM 39.02.02.03 (POLYSTYRENE),
THE CURRENT STATUTORY RATE OF 55 PERCENT AD VALOREM IS
LIKELY TO BE INCREASED TO 85 PERCENT IN NEAR FUTURE,
SO DFFEROF 68 PERCENT IS FOR ALL PRACTICAL PURPOSES AN
OFFER TO BIND AT REDUCED RATE.

4. ON NTM'S, BRAZILIAN DEL INDICATED THAT PORT TAX WAS
NOT NEGOTIABLE BUT THAT RECENT ADMINISTRATIVE ACT (COPY
IN PORTUGUESE GIVEN TO US DEL) GREATLY REDUCED IMPORT
DOCUMENTATION REQUIREMENTS BY REMOVING 48 OUT OF 54
BUREAUCRATIC STEPS PREVIOUSLY REQUIRED. BRAZILIAN DEL
ASSERTED THAT LICENSING WAS AUTOMATIC AND NOT DISCRETIONA-
RY IN RESPONSE TO MTN DEL QUESTION. EXAMPLES PROVIDED BY
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MTN DEL OF DECLINE IN US TRADE DESPITE BOUND TARIFF
LEVELS BROUGHT THE RESPONSE THAT PRIOR IMPORT DEPOSITS
AND NOT LICENSING WAS THE CONSTRAINT. BRAZILIAN DEL

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STATED THAT REMAINDER OF NTM'S FALL INTO THREE GENERAL CATEGORIES: IMPORT SUSPENSIONS WHICH HAVE BEEN EXAMINED IN GATT AS BOP MEASURES AND THUS NOT NEGOTIABLE IN MTN; TARIFF SURCHARGE OF 30 TO 100 PERCENTAGE POINTS APPLICABLE TO A LIMITED NUMBER OF NONESSENTIAL ITEMS; AND PRIOR-DEPOSIT SCHEME REQUIRING DEPOSIT EQUIVALENT TO FULL APPLICABLE DUTY 360 DAYS PRIOR TO TIME OF IMPORTATION (APPLICABLE TO VIRTUALLY ALL COMMODITIES EXCEPT FOR MEDICAL EQUIPMENT, PHARMACEUTICAL SUPPLIES, ETC.).

5. BRAZILIAN DEL SUBSEQUENTLY PROVIDED US WITH LISTING OF BRAZILIAN INDUSTRIAL TARIFF OFFER ITEMS CURRENTLY SUBJECT TO BOP MEASURES. ALL ITEMS EXCEPT FOR NBM ITEMS 84.17.02.01 AND 90.19.08.00 ARE SUBJECT TO PRIOR DEPOSIT REQUIREMENTS. TARIFF SURCHARGES ARE APPLICABLE TO 37.08.02.00 (100 PERCENT), 39.02.03.02 (100 PERCENT), LIMITED OFFICIAL USE

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39.02.04.01 (30 PERCENT), 48.07.05.00 (30 PERCENT), 69.09.02.00 (30 PERCENT), 82.03.04.00 (30 PERCENT), 82.04.99.00 (100 PERCENT), 84.22.14.00 (30 PERCENT), 84.45.45.00 (30 PERCENT), 84.45.46.00 (30 PERCENT), 84.45.47.00 (30 PERCENT), 84.45.48.00 (30 PERCENT), 84.52.05.00 (30 PERCENT), 84.54.03.01 (100 PERCENT), 84.54.03.99 (100 PERCENT), 84.54.04.00 (30 PERCENT), 85.25.01.01 (30 PERCENT), 90.10.01.00 (30 PERCENT) 90.16.04.01 (30 PERCENT), AND 90.16.17.00 (30 PERCENT). IMPORT LICENSES ARE CURRENTLY SUSPENDED ON TWO ITEMS: 84.54.03.01 AND 84.54.03.99. BRAZILIAN DEL HAS INDICATED THAT IT WOULD NOT IDENTIFY THE APPLICATION OF THESE MEASURES ON OTHER ITEMS ON US REQUEST LIST SINCE THEY WANTED TO GIVE NO SIGN OF NEGOTIABILITY.

6. ON LAW OF SIMILARS, BRAZILIAN DEL NOTED THAT AN IMPORTER CAN OBTAIN DUTY EXEMPTION BY MERELY SHOWING IMPORTED ARTICLE'S DIFFERENCE FROM DOMESTICALLY-PRODUCED ARTICLE ON BASIS OF QUALITY, PRICE, AND/OR DELIVERY TIME. IN RESPONSE TO US DEL'S COMMENT RE US EXPORTERS' UNCERTAINTY AS TO WHETHER PRODUCTS WILL QUALIFY FOR DUTY EXCEPTION, BRAZILIAN DEL REPLIED THAT ALL SUCH CUSTOMS DECISIONS ARE PUBLISHED IN NATIONAL PERIODICALS AND THAT IT WOULD BE WISE FOR EXPORTERS TO ASSUME FULL DUTY WILL BE LEVIED FOR LONG-TERM PLANNING PURPOSES. MTN DEL, RECALLING VERY LIMITED BRAZILIAN REQUESTS, OBSERVED THAT BRAZILIAN LONG-TERM PLANNING SHOULD SIMILARLY FOCUS ON MFN RATES. BRAZILIAN DEL NOTED THAT REVISED REQUEST LIST WOULD BE TABLED AT NEXT SESSION.

7. BRAZILIAN DEL LABELLED LOCAL CONTENT REQUIREMENTS AN "INCENTIVE" TO IMPORT IN TERMS OF ITS LINK WITH FOREIGN INVESTMENT. LOCAL CONTENT RATIOS ARE FIXED AT LIMITED OFFICIAL USE

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PLANNING STAGE AND ARE VIEWED AS TARGETS -- NEVER TO BE INCREASED AND OFTEN IN CASES WHERE TARGET IS NOT REACHED, PERIOD IS EXTENDED TO ALLOW MORE TIME AT LOWER LOCAL CONTENT RATIO. TO QUALIFY FOR A NEW SET OF LOCAL CONTENT RATIOS, AN INDUSTRY MUST SHOW PRODUCT TO BE ENTIRELY DISTINCT FROM OTHERS COVERED BY SYSTEM. MTN DEL DETAILED TRADE DISTORTIVE EFFECTS OF LCR'S, AND MADE SPECIAL PITCH FOR POSITIVE GOB RESPONSE ON US REQUESTS FOR PARTS AND ACCESSORIES. BRAZILIAN DEL INDICATED THAT RESTRICTIONS ON USED MACHINERY WERE NOT NEGOTIABLE AND LATER PROVIDED US DEL WITH NONOFFICIAL TRANSLATION OF APPLICABLE CACEX RESOLUTION.

8. US DEL NOTED THAT WE HAVE STILL RECEIVED NO RESPONSE TO TWO-YEAR OLD TROPICAL PRODUCTS (TP) REQUESTS OF BRAZIL, WHICH INCLUDE MANY ITEMS OF HIGH PRIORITY INTEREST AND ACCOUNT FOR OVER TWO-THIRDS OF US AGRICULTURAL REQUESTS. BRAZILIAN DEL INDICATED THAT GOB HAS GIVEN TOP PRIORITY TO PREPARATION OF TARIFF OFFER RESPONDING TO MOST RECENT REQUESTS, BUT THAT BRASILIA TEAM WOULD RE-EXAMINE US TP REQUESTS DURING STAY IN GENEVA. US DEL ALSO COMMENTED ON GOB'S DISAPPOINTING RESPONSE TO US AGRICULTURAL REQUESTS AND ENCOURAGED BRAZILIANS TO KEEP IN MIND CONDITIONS TIED TO SUPPLEMENTARY US OFFER ON CANNED MEAT, I.E., POSITIVE BRAZILIAN RESPONSE TO US POULTRY AND TOBACCO REQUESTS. BRAZILIAN DEL REQUESTED US TO KEEP IN MIND QUALITY OF BRAZILIAN ARTICLE XXVIII OFFER ON APPLES AND PEARS AND THAT ONCE THOSE NEGOTIATIONS ARE CONCLUDED GOB WILL HAVE BETTER IDEA OF HOW MUCH MANUEVERING ROOM IS LEFT IN AGRICULTURAL SECTOR, AND INDICATED PRIVATELY THAT POULTRY IS ESPECIALLY SENSITIVE IN BOTH GOB AND LAFTA CONTEXT.

9. ON QUESTION OF TIMING, US DEL NOTED THAT BEGINNING JUNE 20 US WILL BE RE-EXAMINING ITS OFFER AND THAT ADJUSTMENTS MAY BE MADE ACCORDING TO INTEREST OR LACK THEREOF LIMITED OFFICIAL USE

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EXPRESSED BY OTHER COUNTRIES IN PARTICULAR ITEMS, THE VALUE OF OUR TRADING PARTNERS' OFFERS, AND DOMESTIC REACTION TO THE INITIAL US OFFER. ACCORDINGLY, IT IS

NECESSARY FOR BRAZIL TO SPECIFY ALL ITEMS OF INTEREST
SOON. BRAZILIAN REACTION WAS THAT BRAZIL WAS NOT

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NECESSARILY WILLING TO SUBMIT TO TIMETABLE IMPOSED BY ONLY
A FEW PARTIES TO MTN AND ANY US REACTION THAT IT WAS TOO
LATE TO ENTERTAIN INDICATIONS OF INTEREST WOULD NOT BE
WELL RECEIVED IN BRAZIL. MTN DEL RESPONDED THAT REQUESTS/
COUNTER REQUESTS, WHICH HAD BEEN JOINED TODAY, WERE AN
EXPECTED PART OF NEGOTIATIONS BUT HOPED THAT CLEARER
DEFINITION OF BRAZILIAN EXPECTATIONS AND OFFERS WOULD BE
AVAILABLE PRIOR TO JUNE 20, OBSERVING THAT SUMMER DEAD-
LINE HAD BEEN ACCEPTED BY MORE THAN A FEW COUNTRIES.

10. NEXT BILATERAL HAS BEEN SCHEDULED FOR JUNE 15
OR 16, AT WHICH TIME US DEL WILL PURSUE ITEM-BY-ITEM
EXAMINATION OF US REQUESTS, BRAZILIAN TARIFF OFFER,
PRESS FOR IMPROVEMENTS AND CONTINUE DISCUSSION ON
BRAZILIAN NTM'S.

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11. COMMENT. WE WILL ATTEMPT TO ENGAGE BRAZILIANS
IN ITEM-BY-ITEM DISCUSSION OF U.S. REQUESTS NEXT WEEK
TO GET BETTER FEEL FOR AREAS WHERE BRAZILIAN IMPROVEMENTS
MAY BE POSSIBLE. WASHINGTON REACTION TO BRAZILIAN OFFER
NOW ON TABLE WOULD BE APPRECIATED.

12. DRAFTED BY ST. MAXENS. MCDONALD

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